LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6032 | **DATE PREPARED:** Jan 14, 2001
BILL NUMBER: HB 1839 | **BILL AMENDED:**

SUBJECT: Medicaid Payments for Life Insurance Premiums.

FISCAL ANALYST: Alan Gossard
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FUNDS AFFECTED: X **GENERAL**
DEDICATED
X **FEDERAL**

IMPACT: State

Summary of Legislation: This bill allows the state to use federal Medicaid grants to pay the insurance premiums for life insurance that is assigned to the state or makes the state a beneficiary. The bill provides that the value of a life insurance policy that is assigned to the state or makes the state a beneficiary shall be disregarded in determining the applicant's or recipient's eligibility for Medicaid.

Effective Date: July 1, 2001.

Explanation of State Expenditures: According to the Office of Medicaid Policy and Planning (OMPP), there is currently no authority for states to pay life insurance premiums under the Medicaid program, so there would be no federal financial participation for this type of expenditure. Since this is a "may" provision, presumably the state would only choose to do this with state-only dollars in the specific instances when it was in the state's interest to do so. Consequently, there should be no net fiscal cost associated with this provision. There could potentially be additional recoupments of Medicaid expenditures.

As for the second provision of the bill, the state currently exempts from consideration as a resource any insurance policy that is assigned to anyone, so this provision would have no impact in that instance. If the state is assigned the policy, the state would have ownership of the death benefit, as well as any cash value that might exist.

On the other hand, if the state is irrevocably named the beneficiary of a policy with a cash value, the Medicaid recipient would presumably still have access to the cash value of the policy. However, if the policy is ever surrendered for the cash value (after the value of the policy had been exempted from consideration as a resource), then according to current Medicaid statute, the individual must report the change in cash resources to the Office and the cash would be considered as a resource in the eligibility determination. Consequently, this provision should have no impact to the state.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.